

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301  
Indianapolis, IN 46204  
(317) 233-0696  
<http://www.in.gov/legislative>

**FISCAL IMPACT STATEMENT**

**LS 6570**

**BILL NUMBER:** SB 176

**NOTE PREPARED:** Dec 22, 2008

**BILL AMENDED:**

**SUBJECT:** Office of Performance Review.

**FIRST AUTHOR:** Sen. Zakas

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** X GENERAL  
DEDICATED  
FEDERAL

**IMPACT:** State

**Summary of Legislation:** The bill establishes the Office of Performance Review within the State Board of Accounts.

**Effective Date:** July 1, 2009.

**Explanation of State Expenditures:** The bill would require each state agency to develop a management and efficiency plan for its operation including, but not limited to, a statement of the state agency's mission, goals, and objectives, and measures for outcomes and outputs of the agency. Under the bill, the Governor and the Budget Agency would be required to set goals for state government to assist each state agency in developing its plan.

The bill would establish the Office of Indiana Performance Review under the supervision of the State Board of Accounts (SBA) to conduct an annual performance review of each state agency. The performance review would analyze the effectiveness and efficiency of the policies, management, fiscal affairs, and operations of the state agency. The Office of Indiana Performance Review would consider the degree to which each state agency conforms to the state agency's management and efficiency plan. The bill would require the Office of Indiana Performance Review to deliver an electronic copy of each performance review to the Governor, the Legislative Council, and the Budget Committee. Under the bill, the General Assembly could consider the results of a state agency's performance review in determining the budget for the state agency. The State Board of Accounts would be allowed to adopt rules to implement the chapter.

In order to prepare annual performance audits in addition to the financial and compliance audits currently prepared, the SBA would need additional staff. To the extent that the annual performance review would

compare the agency goals with its performance measurements, as few as five staff may be required. A review of other states' performance evaluation units indicate that more staff may be required for more extensive performance reviews.

*Examples of Expenditures:* Salaries and benefits for accountants, examiners, and auditors at the State Board of Accounts range approximately from \$26,600 to \$94,000. Assuming that the annual performance evaluation requires a staff of five consisting of four junior staff and one senior staff, salary and benefit costs for the audits required under the bill would be \$271,400. If the unit performs more extensive reviews, one might assume the unit would require 12 staff consisting of 10 junior staff and 2 senior staff. Using this configuration, the cost of the unit would be \$631,900.

Analysis of State Board of Accounts expenditures indicates that, depending on the size of the unit, general office costs, training, and travel may cost between \$22,000 and \$52,000. Computer costs are estimated to be between \$11,000 to \$22,000 for laptop computers for each employee. Also, if there is not available space to house the new unit within existing state office facilities, additional space may be rented at an estimated cost of \$16,200 to \$32,400. These costs do not reflect cost savings that may be achieved through the performance review process.

*Background:* The SBA has 292 FTEs and receives an appropriation of about \$22.7 M per year. It focuses its resources on conducting financial and compliance audits for state and local governments. When the Legislative Services Agency performed 'sunset' performance audits of state agencies over a 10-year period, there were six staff. Under current law, LSA performs audits of agencies and programs in accordance with IC 2-5-21.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** State Board of Accounts.

**Local Agencies Affected:**

**Information Sources:**

**Fiscal Analyst:** Karen Firestone, 317-234-2106.